

Contributions to an endowment fund established by an exempt war veterans organization for the care of disabled war veterans, some of whom are members of the organization, may be deducted as charitable contributions under section 170 of the Code; I.T. 2139 superseded.

The purpose of this Revenue Ruling is to update and restate, under current law and regulations, the position set forth in I.T. 2139, IV-1 C.B. 38 (1925). The question presented is whether, under the circumstances described below, contributions to an endowment fund established by a national war veterans organization may be deducted as charitable contributions under the provisions of section 170 of the Internal Revenue Code of 1954.

A national organization of war veterans that is exempt from Federal income tax under the provisions of section 501(c)(19) of the Code established an endowment fund, the income from which is required to be used exclusively for the care of disabled United States war veterans and orphans of war veterans. Some of the members of the war veterans organization are disabled United States war veterans who may qualify for and receive benefits from the fund.

Section 170(a) of the Code provides the general rule that there shall be allowed as a deduction any charitable contribution, as defined in section 170(c), payment of which is made during the taxable year.

Section 170(c) of the Code provides, in part, that the term 'charitable contribution' means a contribution or gift to or for the use of a post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization that is organized in the United States or any of its possessions, and no part of the net earnings of which inures to the benefit of any private shareholder or individual. The words 'private shareholder or individual' refer to persons having a personal and private interest in the activities of the organization. See section 1.501(1)-1(c) of the Income Tax Regulations.

Where a disabled United States war veteran who is a member of the national war veterans organization receives benefits from the endowment fund, the net earnings of the organization will not be considered to have inured to the benefit of a private shareholder or individual within the meaning of section 170(c) of the Code.

Accordingly, in the instant case, contributions to the endowment fund may be deducted as charitable contributions under the provisions of section 170 of the Code subject to the limitations and exceptions contained therein.

I.T. 2139 is superseded, since the position set forth therein

is restated under current law in this Revenue Ruling.